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RETURN

To an address to His Excellency the Governor General of the 8th of May, 1922, for a copy of all correspondence passing between the Prime Minister of Canada and the Governments of Manitoba, Saskatchewan and Alberta, since 10th July, 1920, respecting the transfer of natural resources.

CORRESPONDENCE EXCHANGED BETWEEN THE PRIME MINISTER OF CANADA AND THE PREMIERS OF ALBERTA, MANITOBA AND SASKATCHEWAN IN REGARD TO THE NATURAL RESOURCES OF THE WESTERN PROVINCES.

(February 20, 1922, to April 15, 1922).

1. Letter from the Prime Minister of Canada to the Hon. Herbert Greenfield, Premier of Alberta (February 20, 1922).
2. Letter from the Prime Minister of Canada to the Hon. T. C. Norris, Premier of Manitoba (February 20, 1922).
3. Letter from the Prime Minister of Canada to the Hon. W. M. Martin, K.C., Premier of Saskatchewan (February 20, 1922).
4. Letter from the Hon. T. C. Norris, Premier of Manitoba, to the Prime Minister of Canada (March 10, 1922).
5. Telegram from the Hon. H. Greenfield, Premier of Alberta, to the Prime Minister of Canada (April 4, 1922).
6. Letter from the Hon. Chas. A. Dunning, Premier of Saskatchewan to the Prime Minister of Canada (April 10, 1922).
7. Letter from the Hon. H. Greenfield, Premier of Alberta, to the Prime Minister of Canada (April 15, 1922).

SESSIONAL PAPER No. 142a

OTTAWA, February 20, 1922.

MY DEAR SIR,—I have been discussing with my colleagues the question of the claim of the province of Manitoba, Saskatchewan and Alberta for their lands and other natural resources. We are very desirous of having this long standing question settled.

In the earlier days of Confederation, when the Prairie Provinces were organized, the several Dominion Governments of the time held that these resources, which in the case of the older portions of the Dominion belonged to the provinces, should in the case of the Prairie Provinces be held and administered by the Dominion Government. Reasons which were accepted at that time as satisfactory are not necessarily sound as applied to present conditions, when the three provinces have reached maturity. The desire of the provincial authorities to have the control of these resources is natural, and we are anxious, as far as possible, to meet their wishes.

In time past the question has been somewhat complicated by objections raised on the part of the Governments of some of the older provinces, who have claimed that compliance with the requests of the Prairie Governments would create new conditions under which the Eastern Provinces would be entitled to compensation. It is probable that this claim of the Eastern Provinces arose largely from a belief that the aim of the Prairie Provinces was to receive the lands, etc., and continue to receive the subsidy allowed in lieu of lands. Perhaps the earlier claims of the Prairie Provinces afforded some warrant for such an attitude. We think, however, that any claim on the part of the Eastern Provinces will probably be removed if it be clearly understood that in receiving the lands from the Dominion the Prairie Provinces will surrender the subsidy now paid in lieu of lands. When it was deemed inexpedient to give lands, etc., to the Provincial Governments, compensation was made to them by subsidies in lieu of lands, in addition to the ordinary subsidy which all the provinces received. We do not see how the Prairie Provinces could seriously expect to receive the lands and at the same time continue to receive the land subsidy. We are persuaded that upon full consideration of the matter such a claim would not be pressed. If, then, it be clearly understood that on the Dominion Government delivering the lands to the provinces the land subsidy will cease, it is not likely that the Eastern Provinces will adhere to their objections. If, however, apart from the land subsidy question, the Eastern Provinces feel that they have any claim, that claim would have to be considered on its merits, and it should not be an obstacle to the settlement of matters between the Dominion and the Prairie Provinces.

The shortest and simplest way of settlement, the one admitting of quick results, would be to ignore the transactions of the past and make a fresh start. It is the opinion of some parties who have given the matter careful attention that an accounting for the transactions of the past would not likely result in any particular advantage on either side. It is suggested that whatever sums have been received by the Dominion Government from these lands are probably fully balanced by the sums expended by the Government in one way or another in the management of the lands. If there is a fair ground for this belief, would it be advisable to enter upon an accounting which would necessarily be a lengthy affair? If the provinces could accept this short and swift method of adjustment, the whole transaction might be quickly arranged and the lands could without further delay be handed over to the provinces.

If, however, the Governments of the Prairie Provinces would not be satisfied with such an arrangement, but would prefer an accounting between the Dominion and the provinces from the beginning, by an independent tribunal, we would not object to such a plan. In any agreement that might become to along these lines it would be, of course, necessary that adequate provision be made for crediting the provinces with all moneys received by the Dominion and charging to the provinces all outlay by the Dominion, directly or indirectly, in relation to the

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management of the resources. Any award duly made by the tribunal should be binding on both sides. Any sums found to be due by the Dominion to a province or by a province to the Dominion might be capitalized and interest adjusted in connection with the annual provincial subsidy. Upon the filing of the award and the adjustment of the account in this way, the provinces would, of course, immediately receive possession of the resources.

I am making these suggestions because of the earnest desire of our Government to bring about an early settlement of the question which has for so long been in controversy. If the provinces are willing to agree to these suggestions, we shall do whatever we can to expedite the settlement accordingly. If these suggestions are not acceptable, then it must be understood that we make them without prejudice to the Dominion's rights.

I need hardly add that, of course, any arrangement that might be made would be subject to the approval of the Dominion Parliament.

Yours faithfully,

W. L. MACKENZIE KING.

Honourable HERBERT GREENFIELD,

Premier of Alberta,

Edmonton, Alberta.

OTTAWA, February 20, 1922.

MY DEAR SIR,—I have been discussing with my colleagues the question of the claim of the provinces of Manitoba, Saskatchewan and Alberta for their lands and other natural resources. We are very desirous of having this long standing question settled.

In the earlier days of Confederation, when the Prairie Provinces were organized, the several Dominion Governments of the time held that these resources, which in the case of the older portions of the Dominion belonged to the provinces, should in the case of the Prairie Provinces be held and administered by the Dominion Government. Reasons which were accepted at that time as satisfactory are not necessarily sound as applied to present conditions, when the three provinces have reached maturity. The desire of the provincial authorities to have control of these resources is natural, and we are anxious, as far as possible, to meet their wishes.

In the past the question has been somewhat complicated by objections raised on the part of the Governments of some of the older provinces, who have claimed that compliance with the requests of the Prairie Governments would create new conditions under which the Eastern Provinces would be entitled to compensation. It is probable that this claim of the Eastern Provinces arose largely from a belief that the aim of the Prairie Provinces was to receive the lands, etc., and continue to receive the subsidy allowed in lieu of lands. Perhaps the earlier claims of the Prairie Provinces afforded some warrant for such an attitude. We think, however, that any claim on the part of the Eastern Provinces will probably be removed if it be clearly understood that in receiving the lands from the Dominion the Prairie Provinces will surrender the subsidy now paid in lieu of lands. When it was deemed inexpedient to give lands, etc., to the Provincial Governments, compensation was made to them by subsidies in lieu of lands, in addition to the ordinary subsidy which all the provinces received. We do not see how the Prairie Provinces could seriously expect to receive the lands and at the same time continue to receive the land subsidy. We are persuaded that upon full consideration of the matter such a claim would not be pressed. If, then, it be clearly understood that on the Dominion Government delivering the lands to the provinces the land subsidy will cease, it is not likely that the Eastern Provinces will adhere to their objections. If, however, apart from the land subsidy

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question, the Eastern Provinces feel that they have any claim, that claim would have to be considered on its merits, and it should not be an obstacle to the settlement of matters between the Dominion and the Prairie Provinces.

The shortest and simplest way of settlement, the one admitting of quick results, would be to ignore the transactions of the past and make a fresh start. It is the opinion of some parties who have given the matter careful attention that an accounting for the transactions of the past would not likely result in any particular advantage on either side. It is suggested that whatever sums have been received by the Dominion Government from these lands are probably fully balanced by the sums expended by the Government in one way or another in the management of the lands. If there is a fair ground for this belief, would it be advisable to enter upon an accounting which would necessarily be a lengthy affair? If the provinces could accept this short and swift method of adjustment, the whole transaction might be quickly arranged and the lands could without further delay be handed over to the provinces.

If, however, the Governments of the Prairie Provinces would not be satisfied with such an arrangement, but would prefer an accounting between the Dominion and the provinces from the beginning by an independent tribunal, we would not object to such a plan. In any agreement that might be come to along these lines it would be, of course, necessary that adequate provision be made for crediting the provinces with all moneys received by the Dominion and charging to the provinces all outlay by the Dominion, directly or indirectly, in relation to the management of the resources. Any award duly made by the tribunal should be binding on both sides. Any sums found to be due by the Dominion to a province or by a province to the Dominion might be capitalized and interest adjusted in connection with the annual provincial subsidy. Upon the filing of the award and the adjustment of the account in this way, the provinces would, of course, immediately receive possession of the resources.

I am making these suggestions because of the earnest desire of our Government to bring about an early settlement of the question which has for so long been in controversy. If the provinces are willing to agree to these suggestions, we shall do whatever we can to expedite the settlement accordingly. If these suggestions are not acceptable, then it must be understood that we make them without prejudice to the Dominion's rights.

I need hardly add that, of course, any arrangement that might be made would be subject to the approval of the Dominion Parliament.

Yours faithfully,

W. L. MACKENZIE KING.

Hon. T. C. NORRIS,
Premier of Manitoba,
Winnipeg, Manitoba.

OTTAWA, February 20, 1922.

MY DEAR SIR,—I have been discussing with my colleagues the question of the claim of the Provinces of Manitoba, Saskatchewan and Alberta for their lands and other natural resources. We are very desirous of having this long standing question settled.

In the earlier days of Confederation, when the Prairie Provinces were organized, the several Dominion Governments of the time held that these resources, which in the case of the older portions of the Dominion belonged to the provinces, should in the case of the Prairie Provinces be held and administered by the Dominion Government. Reasons which were accepted at that time as satisfactory are not necessarily sound as applied to present conditions, when the three provinces have

reached maturity. The desire of the provincial authorities to have the control of these resources is natural, and we are anxious, as far as possible, to meet their wishes.

In time past the question has been somewhat complicated by objections raised on the part of the Governments of some of the older provinces, who have claimed that compliance with the requests of the Prairie Governments would create new conditions under which the Eastern Provinces would be entitled to compensation. It is probable that this claim of the Eastern Provinces arose largely from a belief that the aim of the Prairie Provinces was to receive the lands, etc., and continue to receive the subsidy allowed in lieu of lands. Perhaps the earlier claims of the Prairie Provinces afforded some warrant for such an attitude. We think, however, that any claim on the part of the Eastern Provinces will probably be removed if it be clearly understood that in receiving the lands from the Dominion the Prairie Provinces will surrender the subsidy now paid in lieu of lands. When it was deemed inexpedient to give lands, etc., to the Provincial Government, compensation was made to them by subsidies in lieu of lands, in addition to the ordinary subsidy which all the provinces received. We do not see how the Prairie Provinces could seriously expect to receive the lands and at the same time continue to receive the land subsidy. We are persuaded that upon full consideration of the matter such a claim would not be pressed. If, then, it be clearly understood that on the Dominion Government delivering the lands to the provinces the land subsidy will cease, it is not likely that the Eastern Provinces will adhere to their objections. If, however, apart from the land subsidy question, the Eastern Provinces feel that they have any claim, that claim would have to be considered on its merits, and it should not be an obstacle to the settlement of matters between the Dominion and the Prairie Provinces.

The shortest and simplest way to settlement, the one admitting of quick results, would be to ignore the transactions of the past and make a fresh start. It is the opinion of some parties who have given the matter careful attention that an accounting for the transactions of the past would not likely result in any particular advantage on either side. It is suggested that whatever sums have been received by the Dominion Government from these lands are probably fully balanced by the sums expended by the Government in one way or another in the management of the lands. If there is a fair ground for this belief, would it be advisable to enter upon an accounting which would necessarily be a lengthy affair? If the provinces could accept this short and swift method of adjustment, the whole transaction might be quickly arranged and the lands could without further delay be handed over to the provinces.

If, however, the Governments of the Prairie Provinces would not be satisfied with such an arrangement, but would prefer an accounting between the Dominion and the provinces from the beginning, by an independent tribunal, we would not object to such a plan. In any agreement that might be come to along these lines it would be, of course, necessary that adequate provision be made for crediting the provinces with all moneys received by the Dominion and charging to the provinces all outlay by the Dominion, directly or indirectly, in relation to the management of the resources. Any award duly made by the tribunal should be binding on both sides. Any sums found to be due by the Dominion to a province or by a province to the Dominion might be capitalized and interest adjusted in connection with the annual provincial subsidy. Upon the filing of the award and the adjustment of the account in this way, the provinces would, of course, immediately receive possession of the resources.

I am making these suggestions because of the earnest desire of our Government to bring about an early settlement of the question which has for so long been in controversy. If the provinces are willing to agree to these suggestions, we shall do

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whatever we can to expedite the settlement accordingly. If these suggestions are not acceptable, then it must be understood that we make them without prejudice to the Dominion's rights.

I need hardly add that, of course, any arrangement that might be made would be subject to the approval of the Dominion Parliament.

Yours faithfully,

W. L. MACKENZIE KING.

Hon. W. M. MARTIN, K.C.,
Premier of Saskatchewan,
Regina, Saskatchewan.

WINNIPEG, Manitoba, March 10, 1922.

Honourable W. L. MACKENZIE KING,
Premier of Canada,
Ottawa, Canada.

MY DEAR SIR,—Your letter of February 20, 1922, regarding the Natural Resources Question was received in due course, and it is gratifying to know that your Government at the outset of its administration is "very desirous of having this long-standing question settled."

The concern which you express with regard to the Eastern Provinces if the Prairie Provinces were to "receive the lands, etc., and continue to receive the subsidy" is very keenly appreciated. It was for this reason, in fact, that the province of Manitoba in the conference of December 15, 1920, and May, 1921, as well as in all correspondence since December, 1920, has uniformly waived the proposals of the Premiers of the three Prairie Provinces in December, 1913, and has based its claim upon rights which we believe are now regarded as incontrovertible; namely, that Manitoba like the other provinces of the Dominion is entitled to its natural resources as from the date when it became a province.

We have consistently maintained therefore that this is a question not at all of subsidies as such, but of natural resources, and of natural resources only, as from 1870; involving the return of those that remain unalienated, and compensation upon a fiduciary basis for those alienated for the purposes of the Dominion.

Unfortunately this province in seeking a speedy settlement of this issue is unable as your letter suggests to "ignore the transactions of the past." It has been our impression confirmed by Premier Meighen's letter of April 27, 1921, that this question could have been settled at any time during the last ten years had the Prairie Provinces been willing merely to accept the resources that remained, and to ignore the transactions of the past by waiving all compensation for those already alienated.

The reason why this province has never been able to accede to this plan of settlement may fairly be illustrated by the case of Saskatchewan, even under the present arrangement in respect of public lands.

In 1905 that province was granted a so-called "subsidy" based upon the retention by the Dominion of a computed acreage of unalienated land (including swamp and waste lands) then valued for this purpose at \$37,500,000. Upon this valuation the present scale of subsidy in lieu of lands was based in accordance with a sliding scale of population as outlined by Sir Wilfrid Laurier at that time.

Let it be supposed that this entire area is administered by the Dominion until all of it is alienated and nothing remains to be transferred to the province. Even under the existing arrangement the province of Saskatchewan would then receive from the Dominion \$1,112,500 per annum in perpetuity. Similarly if half the

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acreage, say, were alienated by the Dominion, the province in all fairness ought surely to be entitled to half of the above compensation in perpetuity. Only upon the assumption that the whole unalienated area of Saskatchewan in 1905 could be returned to the province unimpaired ought the province to be called upon to forego compensation upon a permanent basis.

It is submitted therefore that even under the present arrangement compensation pro rata for alienated resources ought to be a permanent charge upon the Dominion exchequer. It is seen that this claim is based upon the simple constitutional right of each province to the resources within its boundaries at the time of provincial organization.

As already stated, the claim of Manitoba to its natural resources as from 1870 is thus to be stated at the present time as a claim to all resources hitherto unalienated, and compensation upon a fiduciary basis for those alienated since 1870 "by the Government of Canada for the purposes of the Dominion."

It will thus be readily understood that the suggestion of an "accounting between the Dominion and the provinces from the beginning, by an independent tribunal" is very acceptable to this province, and it is gratifying to know that your Government "will not object to such a plan"; in fact, at the presentation of our case to the late Government in May last a similar proposal was made in the following terms:—

"We beg to assure you that this province has never been disposed to stand uncompromisingly upon the rigid letter of the law in interpreting the fiduciary obligations of the Dominion. The general basis of settlement being conceded upon bold and clear lines, we believe that equitable adjustments could be arranged by common consent, or in the last resort, by arbitration which would relieve both parties from immediate responsibility."

We beg to repeat our conviction, however, that the accountability of the Dominion cannot be discharged merely by balancing receipts and expenditures from Crown Lands. As we have already pointed out to the late Government, practically all our lands were alienated free for Dominion purposes while their normal function for provincial purposes has always been and ought to be fiscal. The Dominion, moreover, obtained indirectly abundant fiscal returns from its immigration and free homestead policy in the form of customs revenues from new immigration which has always made the highest per capita contribution to customs revenues in the Dominion. Thus the chief fiscal returns to the Dominion from alienating our natural resources do not appear upon the books at all, while the obligations of the province for local improvements have always been strained to the utmost; with no lands—and for twelve years in Manitoba with no subsidy in lieu of lands—to offset this expenditure. The system thus worked decidedly to the immediate fiscal advantage of Canada, while the province of Manitoba was literally impoverished by the use which was made of its resources.

The accounting, therefore, which we have sought is not an accounting of profit and loss in dollars and cents upon the books of the Department of the Interior, but an accounting upon a fiduciary basis for the actual resources of this province alienated for the purposes of the Dominion.

We are persuaded that this will be found to be the easiest and the most equitable, as it assuredly would seem to be the only permanent method of settlement. We beg to refer you in this connection to the case of the province as presented to the late Government in December, 1920, and May last.

It is, of course, understood that any agreement that may be reached will be subject to the approval of the Provincial Legislature as well as to that of the Dominion Parliament.

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Permit me to thank you again for the earnest desire of your Government to bring about an early settlement of this question which has for so long a time been in controversy.

Yours faithfully,

T. C. NORRIS.

EDMONTON, ALBERTA, April 4, 1922.

Hon. W. L. MACKENZIE KING,
Prime Minister,
Ottawa, Ontario.

Session now concluded. Are considering your letter of February 20. Will write you in a few days.

H. GREENFIELD.

REGINA, April 10, 1922.

Hon. W. L. MACKENZIE KING,
Prime Minister of Canada,
Ottawa, Canada.

MY DEAR MR. KING,—I have your letter of the 20th of February in regard to the question of the transfer of the natural resources to the Prairie Provinces, and I desire to congratulate you upon the fact that the Government of Canada has seen fit to make a definite statement of policy on this very important subject and at so short an interval after taking office. Your letter constitutes the most definite offer which has been made on the subject.

If I understand you aright, the Government has adopted as its policy the transfer of the resources which remain unalienated with the object in view of placing the provinces of Canada, as nearly as possible, on the same constitutional basis. In this respect, in order to bring about the desired result, you admit that the subject is one that must be settled by the Dominion Government and the interested provinces without reference to claims which may be made by the other provinces. This conclusion marks a distinct advance inasmuch as when the subject has been approached before the Prairie Provinces have been placed in the position of, in reality, negotiating with the other provinces of Canada.

Your intimation that the Prairie Provinces can scarcely expect to obtain the resources which remain and at the same time retain the subsidy which at the present time is paid in lieu of lands, would be fair if these provinces could to-day be given all the resources within their respective boundaries. This, however, cannot be done, and the contention of the Government of Saskatchewan is that this province should be put in possession and control of the unalienated resources and in addition should be paid compensation for the resources which have been alienated for the general advantage of Canada.

In arriving at a settlement of the question it will not be possible for the province of Saskatchewan to "ignore the transactions of the past." It was a principle of Confederation that each province should have its public domain; one province when it entered the Confederation, namely, Prince Edward Island, had no public domain because the lands had been alienated during its status as a Crown Colony and the terms of union provided for the payment to Prince Edward Island of a subsidy of \$45,000 per annum because of this fact. When Manitoba was created a province in 1870 the fact that the province was entitled to its public domain as a matter of right

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was admitted but it was considered expedient and in the best interests of Canada that the Dominion should retain control of the lands and other resources; and, twelve years later, the Dominion commenced to pay the province of Manitoba a subsidy as compensation therefor. This subsidy was increased from time to time until in 1912 the province was placed in substantially the same position in this respect as Saskatchewan and Alberta. In 1905 when Saskatchewan and Alberta were made provinces there was no one who did not admit that the provinces constitutionally were entitled to their public domain but it was again deemed expedient and in the general interest of Canada that the Dominion should retain control and, as compensation, the province of Saskatchewan was given an annual subsidy in lieu of lands, increasing in amount with the population, until the maximum of \$1,125,000 is reached, which amount would then remain payable by the Dominion as an annual subsidy to the province of Saskatchewan for all time to come. This subsidy was intended as compensation for what the province was admitted to be justly entitled to if it was to be placed in the same position as the other provinces. To-day you intimate that the province should forego this subsidy and accept in its place the natural resources which remain unalienated. The province is prepared to accept the remaining resources and undertake the administration thereof but it contends that it is entitled to compensation in the form of a continued subsidy for the resources which have been alienated for the general advantage of Canada.

It is interesting to recall the fact that the Resolution with respect to the province of Saskatchewan which was introduced in the House of Commons by the late Sir Wilfrid Laurier on March 22, 1905, not only provided for the subsidy in lieu of lands but actually estimated the acreage and value on which the subsidy was based. The portion of the Resolution to which I refer is as follows:—

“3. Resolved, that inasmuch as the public lands in the said province are to remain the property of Canada, there shall be paid by Canada to the said province annually by way of compensation therefor a sum based upon the estimated value of such lands, namely, \$37,500,000, the said lands being assumed to be of an area of 25,000,000 acres and to be of the value of \$1.50 per acre, and upon the population of the said province, as from time to time ascertained by the quinquennial census thereof, such sum to be arrived at as follows:—

“The population of the said province being assumed to be at present 250,000, the sum payable until such population reaches 400,000 is to be one per cent on such estimated value, or \$375,000;

“Thereafter, until such population reaches 800,000, the sum payable is to be one and one-half per cent on such estimated value, or \$562,500;

“Thereafter, until such population reaches 1,200,000, the sum payable is to be two per cent on such estimated value, or \$750,000;

“And thereafter such payment is to be three per cent on such estimated value, or \$1,125,000.”

The acreage stated in the above-quoted Resolution was only an estimate and a very conservative one; and the price per acre allowed in computing the subsidy was very small. It cannot be said that the province was dealt with on a liberal basis although opponents of the measure in the House of Commons at the time contended that the terms were too liberal.

If we suppose that the entire area then estimated is administered by the Dominion until all of it is alienated and nothing remains to be transferred to the province, Saskatchewan would then receive from the Dominion \$1,125,000 per

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annum as a subsidy in lieu of lands and this for all time to come. If half of the acreage then estimated were alienated by the Dominion, the province is surely entitled to half of the aforesaid amount of compensation. The only assumption upon which the province should be called upon to forego compensation upon a permanent basis is that the whole area as estimated in 1905 could be returned to the province.

It may be asked what resources in Saskatchewan have been alienated for the general advantage of Canada. In this letter I do not propose to deal with the subject at great length or to give anything like complete details but I might point out to you the fact that millions of acres of land in this province, as well as in the other Prairie Provinces, were given as railway land grants. To be accurate, in the province of Saskatchewan 14,564,823 acres have been disposed of in this way, of which amount 7,598,370 acres were granted to the Canadian Pacific Railway Company, and along with these grants of land the mineral rights were conveyed. Some of the land so granted was for the purpose of the construction of the Canadian Pacific Railway through Ontario and in British Columbia. In the three Prairie Provinces 4,551,747 acres were granted for the construction of the railway in British Columbia. The construction of this railway was for the general advantage of Canada and was a part of the bargain made when British Columbia entered the Confederation. I might also refer to grants of land that have been made to half-breeds, military grants, grants to South African Volunteers, lands set aside for Indian Reserves; homestead lands in the province have been alienated to the extent of 27,127,800 acres, with the result that in the settled areas of the province to-day very little homestead land is left.

There is also the question of the tax exemptions granted to the Canadian Pacific Railway Company. In the Statutes of Canada, 1881, 44 Victoria, Chapter 1, Section 16, the following exemptions are set forth:—

“16. The Canadian Pacific Railway, and all stations and station grounds, workshops, buildings, yards and all other property, rolling stock and appurtenances required and used for the construction and working thereof, and the capital stock of the company, shall be forever free from taxation by the Dominion, or by any province hereafter to be established, or by any municipal corporation therein; and the lands of the company in the Northwest Territories, until they are either sold or occupied, shall also be free from such taxation for twenty years after the grant thereof from the Crown.”

The effect of this has been to create a burden from which the people of this province will never be relieved. The exemptions set out in the section are for all time to come, with the exception that the lands are free from taxation for twenty years after the grant thereof from the Crown. The province and the municipalities in the province are in this way discriminated against when compared with the provinces of Canada to which the law does not apply.

The matters referred to in the last two paragraphs constitute questions which cannot be accurately settled by any system of accounting. They are rather questions which should be taken into consideration in endeavouring to reach a settlement, and an effort should be made to reach a conclusion on broad general principles. Surely a superior Government cannot deal with the resources within the boundaries of a province in any way it may choose and then, in giving the province full status, refuse to consider the giving of compensation for the resources that have been alienated for the general advantage of the whole country. The opposite course has always been pursued in the history of Canada.

You state that if the province would prefer an accounting between the Dominion and the province from the beginning by an independent tribunal, you will have no objection to such a plan. If by an accounting you mean simply the taking account

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of all monies received from the resources of the western provinces and of all monies paid out with regard to the administration thereof, such an accounting would lead to no satisfactory conclusion. If, however, in any such accounting you are prepared to allow the consideration of the matters herein before referred to and generally admit of the correctness of my contention that the Prairie Provinces are entitled to compensation for the resources which have been alienated for the general advantage of Canada, I see no reason why the whole subject cannot well be disposed of. It appears to me, however, that the principles for which I contend should be adopted as a matter of policy by the Dominion authorities; and, if this were done, I do not see why the amount of compensation by way of an annual subsidy for the resources alienated could not be agreed upon on broad general principles. The Legislature of the province must, of course, approve of any agreement which may be reached.

Yours faithfully,

(Sgd.) CHAS. A. DUNNING.

Premier of Saskatchewan.

OFFICE OF THE PREMIER.

EDMONTON, Alberta, April 15, 1922.

DEAR SIR,—Since the close of our recent session, I have been able to carefully consider with my colleagues your letter of February 20. We are gratified indeed to note your desire at the outset of your administration to reach a settlement of this question which has been in controversy for so long a time.

In reviewing the correspondence between the Premiers of the Dominion and of this province, it would appear that the rights of the province to its unalienated resources has, for some time, been fully conceded. In his letter of December 7, 1920, the Honourable Arthur Meighen says in part: "The Government is not only prepared to transfer the remainder of the resources to the Prairie Provinces upon terms that can be accepted as fair, but it is anxious to do everything in its power to arrive at such terms." Since that time at least, it would seem clear that the whole question was simply one of agreeing to terms of transfer and could have been settled at any time on the basis of your first suggestion that this province be content to accept its unalienated resources and, ignoring the transactions of the past, waive all claims to the subsidy in lieu of lands. But, while it is of great moment to this province, that the remaining resources should be transferred without delay, it seems to us that the value of those resources that have hitherto been alienated for purely Dominion purposes cannot be entirely overlooked.

We are therefore encouraged to note from your letter the alternative proposition that if the provinces prefer an accounting from the beginning by an independent tribunal you would not object. This method of settlement is very acceptable to us, and we will be very glad to meet you or your Government at an early date in an effort to arrive at a satisfactory basis for such accounting.

We would urge, however, that the Dominion cannot discharge its responsibility by accounting only on the basis suggested in your letter, that is by crediting the province with all moneys received by the Dominion and charging it with all outlay by the Dominion in relation to the management of the resources. Such an accounting must be wide enough to include the question of what compensation the province should receive for the resources which have hitherto been alienated for the benefit of the Dominion as a whole.

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To put the position taken by this province definitely, I may say that we stand ready (1) to take over the control of the natural resources of the province as yet unalienated; and (2) to waive all claims for subsidy for lands under the Alberta Act, provided a satisfactory indemnity is arranged for such of the resources as have been used for purely Federal purposes.

It is, of course, understood that any arrangement that might be made would be subject to the approval of both the Dominion Parliament and the Legislature of this province.

Again thanking you for the interest you have shown in this question, I am,

Yours very truly,

(Signed) H. GREENFIELD.

Honourable W. L. MACKENZIE KING,
Prime Minister of Canada,
Ottawa, Ontario.

